

## Message Text

CONFIDENTIAL

PAGE 01 TEL AV 02696 061020Z

15

ACTION NEA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 IGA-01 STR-04 DODE-00

PM-03 H-02 L-02 NSC-05 PA-01 PRS-01 SS-15 AGR-05

SAB-01 /092 W

----- 035385

R 060929Z MAY 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 6545

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMCONSUL JERUSAELEM

C O N F I D E N T I A L TEL AVIV 2696

E.O. 11652: GDS

TAGS: EFIN, IS

SUBJ: GOI'S BUDGET FOR FY 1975/76; FURTHER

EMBASSY COMMENT

REF: A. TEL AVIV A-68 APRIL 16, 1975 (NOTAL)

B. TEL AVIV 2538 (NOTAL)

1. MOST STRIKING ASPECTS OF BUDGET ARE DEGREE TO WHICH  
IT IS DEPENDENT ON USG AID (19 PERCENT OF TOTAL REVENUES)  
AND INFLATIONARY IMPLICATIONS DESPITE GOI'S PROFESSED  
ANTI-INFLATIONARY POLICY. REGARDING LATTER, GOI'S PROPOSED  
INCOME TAX REFORM HAS ALREADY CAST DOUBT ON BUDGET'S  
REVENUE ESTIMATES BECAUSE IT WOULD RESULT IN  
REDUCED REVENUES OF IL 2 BILLION ( \$333 MILLION). WHEN  
ADDED TO BUDGET'S UNCOVERED DEFICIT OF IL 1.5 BILLION  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEL AV 02696 061020Z

(\$250 MILLION), A GAP FOR WHICH GOI DOES NOT HAVE ANY

PLANS TO FINANCE, EVEN WITH BORROWED FUNDS, INFLATIONARY IMPLICATIONS COULD BE OMINOUS. BUT PLANNED IMPLEMENTATION VALUE ADDED TAX DURING FY 1975/76 COULD BE USED TO OFFSET IN PART LOSS OF REVENUE CAUSED BY INCOME TAX REFORM. SUPPLEMENTARY BUDGETS HAVE BECOME VIRTUAL TRADIOTION AND WILL ALMOST CERTAINLY BE FORTHCOMING IN LATER PART OF YEAR.

2. BUGET PROJECTS FOREIGN LOANS AND GRANTS OF IL 13.350 BILLION (\$2.225 BILLION) WHICH TOTAL 24 PERCENT OF TOTAL PROJECTED REVENUES, OF WHICH USG LOANS AND GRANTS AMOUNT TO IL 10.488 BILLION (\$1.748 BILLION), OR ALMOST 19 PERCENT OF TOTAL REVENUES (SEE TABLE 4 REF A). US LOANS TOTAL IL 5.520 (\$920 MILLION) DIVIDED BETWEEN MILITARY CREDITS IL 5.070 (\$845 MILLION), PL 480 IL 150 MILLION (\$25 MILLION), AND AID HOUSING GURANTEE IL 300 MILLION (\$50 MILLION). MILITARY CREDITS ARE DISBURSEMENTS UNDER 1973 EMERGENCY SECURITY ASSISTANCE PROGRAM. PL 480 AND HOUSING GUARANTEE PROGRAMS ARE AT SAME LEVELS PROJECTED BY GOI IN BLUE PAPER, BUT NOT APPROVED IN ENTIRETY BY USG. USG GRANTS AMOUNT TO IL 4.968 (\$828 MILLION), INCLUDING IL 1.950 (\$325 MILLION) SUPPORTING ASSISTANCE AND IL 3.018 (\$503 MILLION) FROM 1973 EMERGENCY SECURITY ASSISTANCE. THUS, OF TOTAL USG LOANS AND GRANTS OF \$1.748 BILLION, ONLY PL 480 AND HOUSING GUARANTEE FUNDING NOT COMPLETELY AUTHORIZED (OF \$25 MILLION PL 480 AND \$50 MILLION HOUSING GUARANTEE PROJECTIONS, AGREEMENTS OF \$9 AND \$25 MILLION RESPECTIVELY ALREADY SIGNED AND SHOULD BE DISBURSED IN FY 1975/76. THEREFORE, \$1.707 BILLION, OR ALMOST 98 PERCENT OF TOTAL USG ASSISTANCE INCLUDED IN BUDGET, IS AVAILABLE TO GOI. THERE HAS RECENTLY BEEN A GREAT DEAL OF SPECULATION (REF B) ON IMPACT IN ISRAEL IF US ASSISTANCE FALLS SHORT OF GOI REQUEST. AS INDICATED ABOVE, US RESPONSE TO GOI REQUEST FOR AID WILL NOT HAVE APPRECIABLE EFFECT ON PRESENT, BUT ON NEXT GOI FISCAL YEAR BUGET. VELIOTES

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET, GOVERNMENT EXPENDITURES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975TELAV02696  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750158-0213  
**From:** TEL AVIV  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750575/aaaacrgl.tel  
**Line Count:** 97  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 TEL AVIV A-68, 75 APRIL 16, 75 1975  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 JUL 2003 by CunninFX>; APPROVED <28 NOV 2003 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOI'S BUDGET FOR FY 1975/76; FURTHER EMBASSY COMMENT  
**TAGS:** EFIN, IS  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006